

Executive Registry

78-1940/1

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DD/A 78-2611/4
17 July 1978

MEMORANDUM FOR: [REDACTED] 25X1
Deputy/Executive Secretary

FROM: [REDACTED] 25X1
Executive Officer/DDA

SUBJECT: Employee Suggestions

REFERENCE: Your Memo; ER 78-1940, 3 July 1978

Forwarded herewith are responses to recent employee suggestions:

What would be required to obtain more circuits to install additional secure phones in OTS to alleviate security concerns there? Tab A

The feasibility of establishing an objective to reduce the current Agency average of paying contractor invoices within 60 days of the billing date to 20 days. Tab B

The feasibility of prefacing new Agency regulations with a clear, concise paragraph capturing the essence of each regulation. Tab C



Atts:
Tabs A,B,C

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A

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"What would be required to obtain more circuits to install additional secure phones in OTS to alleviate security concerns there?"

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1. (C) Currently, the OTS [redacted] complex is provided secure voice service from [redacted] switch (5 lines) and the Headquarters switch (3 lines). Additional service off the [redacted] switch is not possible as there are no spare ports. Additional service off the Headquarters switch is feasible and action is underway to provide expanded service. 25X1

2. (C) Discussions have been held with OTS personnel with regard to expanding secure voice service off the Headquarters switch. A feasibility study was completed during June 1978 by the [redacted] which would considerably enhance OTS' secure voice capabilities in a cost-effective manner. Factors to be addressed in order to implement the feasibility study are: space availability at both Headquarters and the OTS complex, funding and equipment selection. 25X1

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DCI ISSUE

"The feasibility of establishing an objective to reduce the current Agency average of paying contractor invoices within 60 days of the billing date to 20 days."

1. The issue identified by this employee suggestion is significant and highlights an area which the Offices of Finance and Logistics (OF and OL) have long recognized to be of major concern. OL and OF have had a virtual standing committee for over 2 years exploring means to streamline procedures to effect faster pay for contractors. This joint analysis has resulted in implementation of several procedures which have improved contractor pay rates. For example, a system entitled "Fast Pay" was implemented in December 1975 as an optional clause for selected contracts. The intent of the procedure was to expedite paperwork in those instances where contractors and contracting officers agreed that procedures were applicable. Because results of "Fast Pay" were not up to expectations, revised procedures entitled "Expedited Pay" were drawn up in November 1977 and recently approved by OF for promulgation. OF has installed a priority system for invoice handling giving preferential treatment to contractors offering discounts and contracts with "Fast Pay" or "Expedited Pay" clauses. A direct tie to permit computerized contractor payment is, at this moment, being implemented between OF's computerized General Accounting System and OL's Contractor Information System. Because receiving documents are an essential part of the payment process, a follow-up procedure for delinquent receiving reports has been instituted within OL in the last year. Both OL and OF have embarked on customer education and discipline programs using briefings and Logistics Advisory Notices to stress the importance of expeditious customer actions relating to the payment process. Despite these actions, further improvement in contractor payments is still desirable. Additional actions being analyzed or implemented are covered in paragraph 4. While these planned actions will improve payment rates, to expect radical change in a short period of time is probably unrealistic because of the complexity of the problem.

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2. CIA deals with contractors through a variety of procedures and organizational components. In the simplest form, OL's Small Purchases Branch, located at [REDACTED] purchases over 15,500 line items per year on a "cash and carry" basis with the contractor paid immediately upon receipt of the item. Slightly more complex are those purchases made by OL's General Procurement Branch, which handles an estimated 30,000 line items per year through the purchase order mechanism, with contractor payment by OF's Audit and Certification Division against the contractor's invoice. These general purchases are most amenable to "Fast Pay" procedures and constitute the majority of payments made within 30 days. Significantly more complex, however, are the categories of contracts involving research and development, ADP procurement, production, and services. These contracts, generally of large dollar amounts, frequently result in products of significant technical complexity. It is these technically and legally complex procurements which result in the majority of payments extending beyond 30 days. Without going through excessive detail, all of the following factors have an exacerbating influence. Security considerations frequently necessitate circuitous routing of both invoice and payment. Technical complexity necessitates test and inspection (T&I) before acceptance and reimbursement. This T&I function performed by the requesting technical component frequently introduces substantial delays between receipt of the item and authorization by the technical component to OF to initiate payment. Perhaps most important is OF's statutory obligation to certify value received for funds expended. This legal necessity introduces requirements for precise audit, technical acceptance, and the multitude of accounting processes associated with receiving and deploying accountable property items. When all of the above is complicated by contracts calling for partial deliveries and partial payments with withholding provisions, the magnitude of the problem becomes more apparent. Nor are contractors fault free. It is common practice to mail invoices simultaneously with release of internal directives to ship the product. Obviously, many invoices arrive well in advance of actual receipt of the total order. These problems, except for cover considerations, are not peculiar to CIA.

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3. In recent months, at least four bills have been introduced in the Congress with faster contractor payment or interest reimbursement as a principal goal. Interestingly enough, however, a 24 February 1978 GAO report to the Congress cites statistics that contractors find Government payment speed to be comparable to that of private industry purchasers. The report goes on to say that 30-day payment is optimal for

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Government cost-effectiveness with shorter periods resulting in increased costs. This GAO position was recently reinforced by a report of the President's Reorganization Project. OF statistics, excluding the over 15,500 "cash and carry" acquisitions, show that 40 percent of invoices are paid within 30 days and 70 percent within 60 days. Available statistics indicate this payment rate compares favorably with other Federal agencies. A survey of selected Agency contractors was conducted within the last 2 years by CIA's Chief, Procurement Management Staff, OL, with the specific goal of seeking areas of contractor dissatisfaction. Results of this survey would substantiate that CIA's procedures are at least as good as those of other Federal agencies. Notwithstanding comparability analyses, and as noted earlier, improvement in contractor pay rates remains highly desirable and is a matter for continuing DDA concern.

4. OL and OF are jointly exploring several procedures which will result in faster payment to contractors. Each has some drawbacks either in reduced Agency customer service, complication of statutory compliance, or significant alterations of existing procedures. It is expected, however, that some or several of these procedures can be implemented during FY 1979. Possibly the most dramatic relief in terms of volume of fast payments for small contractors could be realized by adoption of modified Arms Services Procurement Regulations procedures permitting payment upon receipt of invoices for items under \$10,000 with subsequent verification that deliverables met contract requirements. Improvement in T&I procedures with payment prior to T&I on the majority of items contracted for could substantially reduce invoice processing time. Dependent upon the success of OF and OL computer interface, computer payment could be expanded to include general purchase items. Restriction of materiel receiving points, while reducing customer service, may be cost-effective by improving contractor relationships. In addition to the above changes being analyzed, numerous minor procedural adjustments relating to document processing, forms simplification, and follow-up systems now being considered may prove practicable for implementation.

5. DDA elements would welcome the opportunity to discuss these proposed improvements and specific problems with customers or suggesters throughout the Agency.

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DCI ISSUE

"The feasibility of prefacing new Agency Regulations with a clear, concise paragraph capturing the essence of each regulation."

Most regulations, including those currently being revised, contain a brief introductory statement describing their purpose. Such a statement usually appears in the first paragraph titled General. We agree that such a statement should provide sufficient information to capture the essence of the regulation. Particular attention will be given in the future to ensure that such statements accomplish this purpose. As a further help to the employee, regulations usually are divided into logical sections, proceeding from the General, to Policy, Responsibilities, and Procedures. These sections lend themselves to a summary at the beginning of the regulation.

*Let's change General to Summary
"Synopsis" & print in bold
face type pls -*

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REFERENCE

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Executive Registry

78-1940

DD/A Registry

78-2611

3 July 1978

DD/A Registry

File Personnel 2-2


MEMORANDUM FOR: Deputy Director for Administration

SUBJECT : DCI Request for Comments on Employee Suggestions

In response to recent employee suggestions, the Director would like to be advised of the following:

- What would be required to obtain more circuits to install additional secure phones in OTS to alleviate security concerns there?
- The feasibility of establishing an objective to reduce the current Agency average of paying contractor invoices within 60 days of the billing date to 20 days.
- The feasibility of prefacing new Agency regulations with a clear, concise paragraph capturing the essence of each regulation.

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Deputy Executive Secretary

cc: DDCI


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